



Moralizing Commerce on the Frontier: Cattle and Jerky Smuggling in Mato Grosso, 1870s-1930s

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ABSTRACT

Beginning in the late nineteenth century a promising ranching sector developed on the Mato Grosso frontier with Paraguay. The most lucrative markets for cattle products were in neighboring Paraguay, Uruguay, and in the southeast of Brazil. For the most part markets were distant from the region of production, while fiscal revenues were always limited, hence the state attempted to impose its regulations and taxes as it could. Residents found their incomes were constrained at the best of times, and any “outside” impositions were simply obstacles to the prosperity of their communities and businesses. The result was that like similar regions across the globe cattle and cattle product smuggling became normal. The profits were significant enough that even local government officials were involved. The result was a long-running “battle” between the state and local producers to tap the potential promised by ranching that simultaneously promoted and inhibited the development of the region. This article explores these contradictory aspects of ranching settlement along the Brazil-Paraguay border.

Keywords: Cattle Ranching; Smuggling; Mato Grosso; Paraguay.

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Art. 1º - O serviço de repressão do contrabando na fronteira do Apa, no sul do Estado, zona limitrophe com a Republica do Paraguay, estabelecido em 1898, em virtude a Lei n. ...de 16 de Dezembro de 1897, tem por fim impedir a entrada de mercadorias e quaesquer generos sujeitos ao pagamento de direitos de importação sem que hajam sido despachados pelas Mesas de Rendas de Porto Murtinho e de Bella Vista, e bem assim a sahida de animaes ou qualquer producto de exportação do Estado, obrigados ao imposto respectivo sem que este tenha sido satisfeito nas referidas estações ou noutras igualmente habilitadas para esse fim. (Cardoso 1917 [2010])

The above instructions, signed by the National Treasury Office and sent through the Mato Grosso state office to the border with Paraguay in 1917, were a response to a long-standing concern. The Brazil-Paraguay frontier was long, remote, porous, and poorly regulated, which meant that the economic prosperity of local residents was based on contraband. Much was in products from or related to the cattle sector, a vital way of life on both sides of the border. Yet as the instructions clearly indicate, and despite laws passed two decades previously, the State felt compelled to reinforce its presence on the border. This was done for two obvious reasons: the State did not see itself benefitting fiscally from what could be a lucrative international trade; measures implemented previously clearly had had little effect. Some general questions ultimately arise in these circumstances, such as given the pervasiveness of smuggling historically, are regulatory efforts invariably doomed to minimal success, and if so, how does the State anywhere in the world curtail contraband activity?

I suspect the reader might not be particularly surprised to hear that most among us have been smugglers, or at the very least have engaged in behavior that evades the expected fiscal responsibilities of every citizen. Who among us has not underestimated tax responsibilities where possible, crossed borders without declaring purchased goods, refrained from telling an inquisitive policeman every little detail...? Indeed, in this scenario we are all smugglers and basically we see no particular harm in acting in such a manner. So what makes smuggling, *smuggling*? Who decides when to use the term? Why do most citizens generally perceive it to be benign behavior? And yet why are there such heavy penalties for engaging in contraband, and extensive policing agencies to control it?

To be sure, some activities the average citizen would be loath to participate in, especially if they involved violence and/or exploitation. Hence drugs, arms, and human trafficking are not seen as benign, and most global citizens would agree with stiff penalties for perpetrators.² Yet most smuggling in history has not involved such activities, nor necessarily violence, yet there have been laws against contraband (and many willing to flout such laws) almost from the beginning of civilization. George Díaz says in his history of smuggling across the U.S.-Mexico border, “State law saw smuggling in black

² Human trafficking itself can be nuanced, since smuggling people across the U.S.-Mexico border so they can find work is one thing, while either forcing them to carry drugs in the process, or for the sex trade, is very much another. Most people living in such regions make important moral distinctions in this regard.

and white terms, but the social reality of life on the ground came in various shades of gray.” (Díaz 2015 p. 6) Given this dynamic, just where is the line drawn, and under what circumstances do we accept or reject enforcement?

While these questions are too broad to explore in detail here, what I hope to communicate in this paper is some of what might appear to be the contradictory circumstances of smuggling/contraband that have characterized a particular place in time, that of the state of Mato Grosso in the early decades of the twentieth century. My intention is to examine some of the experience of this frontier region in order to ascertain the conditions leading to smuggling in the livestock sector, and to determine if they are an inevitable component of the cattle business or specific to the area and/or time period. In the process a broad question arises: is the activity of raising cattle in certain regions an inevitable extension of the contraband “mentality”?

Cattle have been a part of contraband since the outset of livestock raising and trading. Whether this came in the form of live animals or animal products, through circuitous transportation routes, or by simple rustling, the very nature of a product able to transport itself has contributed to the activity. But of course contraband requires much more than simply taking advantage of a “walking larder.”³ It seems clear that the essence of smuggling is economic, primarily the evasion of taxation. This is what Díaz refers to as an issue of tariff protection, something that he argues characterized the early decades of smuggling across the Río Grande/Bravo. (Díaz 2015 p. 8) Indeed, smuggling in Mato Grosso was a concern for both Brazilian and Paraguayan officials. But the smuggling was also cultural, in terms of the social structures that support communities of contraband and the tolerance of them by neighbors, and frequently (necessarily?) officials. In the case of Mato Grosso, an important issue I wish to explore is not simply the extent of smuggling in the region’s experience, but also how much contraband has been an essential part of its development. I, among others, argue that smuggling is not simply about illegality, but often (usually?) about necessity, especially in response to demands by outside interests; ie: governments near and far. I trust this will become apparent as the story unfolds.

A “THEORY” OF CONTRABAND

Virtually all studies of contraband and smuggling depart from the same station – what Díaz refers to as the “moral economy.” (Díaz 2015 p. 6-9) Whether Caribbean pirates of the seventeenth century, Malay and Comanche smugglers in the nineteenth, citizens of the Mexican-American border and Bolivian indigenous women of the twentieth, or Ukrainian housewives in the twenty-first, the need to smuggle goods from one jurisdiction to another usually hinged/hinges on the broader demand for

³ I have pilfered this term from Clutton-Brock.

particular goods in the context of high cost, lack of availability, or monopolization by a small group, and the ability to satisfy that demand. But what could be legitimate trade becomes illicit in the face of regulations intended to either limit the extent of the trade or to extract as much in taxes as possible, usually for a distant and perhaps even imperious State, and the presence (or lack) of agents of that State charged with collection. In response to these pressures smugglers seek to engage in contraband in order to make a living on their own terms. As Alan Karras emphasizes, “smugglers were (and are) the ultimate free traders. (Karras 2010 p. 7) That is, State regulations essentially are an obstacle to the unrestricted flow of goods. Naturally, there are clear reasons for the State to make demands, and thus to characterize smugglers negatively, often articulated through the need to “moralize” a particular zone. And while smugglers no doubt understand the arguments (at least the economic ones), usually for these very reasons they choose to engage in the sometimes risky business, often with (or perhaps because of) the collusion of local officials. And there’s the irony.

It has been argued that contraband is not contraband without such collusion. In other words, contraband goes hand in hand with corruption, as Karras has made abundantly clear in his study. In his estimation, this can be a positive for a specific region, since by facilitating smuggling customers (usually merchants) and complicit officials shore up the political and economic structure in question. Therefore, “[e]radicating smuggling...might actually harm the state...,” (Karras 2010 p. 67) while paradoxically those who evade the laws sometimes are the ones who wrote them! And yet this inevitable corruption also undercuts State revenue, needed for protection and construction of public works, while simultaneously undermining the relationship of the State with the individual – a vicious circle. (Karras 2010 p. 137) It appears this was the case in Mato Grosso from the late nineteenth century into the twentieth.

CONTRABAND IN THE MATO GROSSO ECONOMY

Mato Grosso (Figure 01) was always remote and access from the rest of Brazil long and arduous, limiting interest from the federal government in Rio de Janeiro unless there was a dramatic challenge to the State. Until rail lines and highways were built in the twentieth century, overland journeys from Rio de Janeiro or São Paulo took two to three months. The alternative was the Paraná and Paraguay River route, which passed through Argentina and Paraguay before reaching the state.⁴ While distance was longer, these journeys took less time but still depended on political and economic relationships with the two transit countries. Before the Paraguayan War (1864-1870) this was possible

⁴ To minimize confusion, capitalization of “State” indicates government in the abstract, while no capitalization refers to the state government in Cuiabá or simply the state of Mato Grosso or others. Government in Rio de Janeiro is referred to as the federal government.

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but uncertain, while after the conflict the river route became more reliable, though usually expensive, especially since there could be multiple taxation along the way. One result was that Paraguay, a decimated nation after the war, took on the role of intermediary in widespread contraband activity, a position it has maintained to the present day.

Figure 01. Mato Grosso



Source: Map Created by Jones Maps & Diagrams, Delta, British Columbia, Canada.

From the late nineteenth century contraband, particularly of lucrative *erva mate* and cattle through Paraguay to market in Argentina deprived the state of income while requiring investment of

limited funds in fiscal posts and border patrols. This was a constant headache for the government in the capital of Cuiabá well into the 1930s (Corrêa Filho 1969 p. 687; Fundação Instituto Brasileiro 1986 p. 120, 124; Corrêa Filho 1925 p. 15, 18-20)⁵. The problem drew official attention to the most southerly region of the state toward the end of the century. It became clear to authorities that a sizeable income was being squandered by paying insufficient attention to unregulated traffic across the border. Erva alone was reputed to cost the state tens of *contos*⁶ in export taxes, but other items, particularly cattle, also crossed the frontier duty-free, not to mention the majority of imports consumed in southern Mato Grosso outside of the river port of Corumbá. Most of the reason lay with the lack of resources and will in Cuiabá to outfit and maintain an effective police and border force, which contributed to chronic corruption on the part of scarce and underpaid customs agents. Throughout the 1880s and 1890s, appeals flowed in from customs officials in the border region for more police units and resources to interdict the substantial amounts of contraband transiting the border. Smugglers were well armed and could not be challenged by the miniscule military units stationed in the area. Besides, the smugglers were often local residents, or contracted by locals, thus little could be done by fiscal agents without alienating the population, some of whom were family. (Letter Manoel Lucas de Souza 1887)

A major obstacle to enforcement was the considerable price differences in the area between items imported through Concepción in Paraguay and those through the main Mato Grosso river port of Corumbá, causing precious few merchants to rely on legal commerce. For example, in 1880 an *alqueire* of salt sold for 3 to 4 *mil-réis* (\$1.35-\$1.80 U.S.) in Concepción, whereas in Nioác the same item imported through Corumbá required an expenditure of between 10 and 20 *mil-réis* (\$4.50-\$9.00 U.S.). Even if we allow a doubling of the cost of salt imported from Concepción, this was still considerably cheaper than relying on often uncertain import through Corumbá. This changed little over the decades, as a state presidential tour of southern Mato Grosso in 1912 noted the extensive smuggling of salt and barbed wire from Paraguay, a traffic that followed the demands of the market. Cattle regularly needed to be provisioned with salt, and simply put transportation into the interior was arduous, irregular, and expensive. Logically, then, legal commerce in such items was virtually non-existent. (Letter Joaquim Fiuza de Carvalho 1882; Report Antonio Canale 1894; Letter Rodrigues Martins 1880; Mensagem Joaquim da Costa Marques 1913).

This was exacerbated by political upheaval. Armed conflict first flared up in 1891 as competing political forces jockeyed for power. Local potentates, largely ranchers, then squared off, arming tens of retainers and initiating a long period of intermittent civil disorder. In a typical response

⁵ For more details on production and exports see Zephyr Lake Frank (1999), Chapter 4.

⁶ At the time a conto, one thousand *mil-réis*, was worth approximately US \$450.

to real and perceived neglect from Cuiabá, the south was affected by an element of separatism. Many southerners believed that the politicians and bureaucrats in Cuiabá extracted a sizeable income from the south and returned virtually nothing to the region, spending it all on themselves and on Cuiabá. The opposition often financed itself by trafficking in contraband with Paraguay. Mercenaries were then contracted in Paraguay, which had its own security weaknesses, though many of these became bandits whose main intent was to take advantage of the upheaval to plunder the countryside, particularly of cattle, which were then sold in Paraguay. To make matters worse, fighting occasionally broke out among groups over land allotments illegally sold by local land agents. (Corrêa 2006 p. 39-41).

Between 1899 and 1906, bandits and rebels crisscrossed Mato Grosso, disrupted commerce in the south, forced the exile of many participants, and ended up fighting pitched battles in various southern localities and for the capital. The state government was often helpless to combat local threats to its authority, which impacted law enforcement investment. In 1900, for instance, the government withdrew all state police stationed in Miranda in response to the threat of an invasion of rebels from Paraguay, forcing the municipality to contract its own civic guards. Political fighting only ceased with the capture of Cuiabá and the death of the state president in 1906, giving victory to elements sympathetic to southern interests. It was also at this time that the federal government began to pay greater attention to the region. (Corrêa 2006 p. 57-72; Letter Antonio Canale 1900)

The upheaval naturally restricted the collection of taxes by the state and in 1901 forced the Cuiabá government to contract loans totaling 400 contos, backed by erva exports, to pay for the military effort. Inevitably, smuggling and rustling escalated along with other bandit activities along the Paraguayan frontier. These actions led the government to estimate in 1903 that the value of contraband with Paraguay was more than double that of legal commerce. Such statistics and the on-going state of semi-anarchy in the region motivated an agreement with the federal government to establish a federal frontier police force in 1902 and a federally-run customs post at Bela Vista in 1904. The post would also collect state export duties between Mato Grosso and Paraguay, simplifying Cuiabá's position in the politically-charged climate of the day. While the region was never fully stable until the 1930s, these measures did help in establishing a modicum of political permanence, though they had minimal effect on smuggling activities (Corrêa Filho 1969 p. 592-598; Mensagem Paes de Barros 1901, 1904, 1905; *A Reação* 1902).

SMUGGLING AND CATTLE

Early ranching along the border benefited from the illegal entry of salt and horses and the contraband of cattle to Paraguay to restock depleted northern Paraguayan ranches. In 1879, for

example, it was reported that a total of 600 horses and mules and 30 ox carts of salt had entered southern Mato Grosso from Paraguay tax-free. And cattle were exported illegally not only to Paraguay, but to neighboring Minas Gerais, São Paulo and Goiás. As early as 1871 the customs inspector in Paranaíba on the Minas border was accused, among other irregularities and abuses, of registering only 3,000 of the estimated over 8,000 head exported from the municipality that year. In addition to corruption, part of the problem was rancher perceptions that export taxes on live cattle were excessive. In 1877, taxes were increased and steers charged two mil-réis per head, cows and calves five mil-réis. As a result, in the Paranaíba region drovers either chose to go to Goiás and Minas for their cattle or used circuitous routes to avoid customs agents. Suggestions for a reduction of the charge to one mil-réis per head apparently fell on deaf ears as the tax on live cattle remained the same for decades (Letter Teixeira Muzzi 1880; Letters Pereira Dias 1872; Letter Ferreira de Castro 1878).

In 1901, an observer in Paraguay informed the Brazilian government that some 60,000 head of cattle had been smuggled to Paraguay between January and August, with a loss of 270 contos (\$62,000 U.S.) to the state treasury. Just two years later, it was believed that 80,000 cattle throughout the state had left illegally. In addition to the political upheaval, such significant numbers were instrumental in convincing the state and federal governments to work together in collecting taxes and patrolling the frontier, starting in 1902-04, though this produced mixed results. And while some considered these figures exaggerations, there was no effective way to assess the actual numbers leaving the state, as Paraguayan authorities were just as incapable of keeping accurate customs statistics in the region as those in Mato Grosso and Minas, and São Paulo authorities did not record import data along that state's borders with Mato Grosso (Mensagem Alves de Barros 1904).

As a rule, most observers estimated that contraband accounted for 20 per cent over and above official exports, though this percentage was undoubtedly low.⁷ Between 1909 and 1911 official customs data counted average annual exports of over 55,000 head, meaning that at least another 10,000 to 12,000 left illegally. This is not too different from estimates of the previous decade, indicating that civil conflict probably only encouraged an already thriving trade in contraband cattle, and was not the major cause (Mensagem Costa Marques 1913; Cardoso Ayala & Simon 1914).

Much of the cattle trade until the 1950s was done by drovers, who herded cattle from Mato Grosso to São Paulo fattening pastures. These hardy entrepreneurs usually showed up at ranch gates at specified times of the year to purchase several head of healthy cattle that could be driven the long distances of up to three months duration. In a region that had changed relatively little since the late

⁷ Estimates of the volume or values of contraband are necessarily vague, though in most jurisdictions a rough approximation is usually 50% of legal commerce.

1880s some were notorious for taking advantage of the general lack of fencing, increasing the size of their drives along the way by plucking the odd unsupervised (and often unbranded) animal from ranches as they passed through. At first ranchers were unaware of the theft since they randomly controlled the number of animals in their herds, but once it became clear such rustling was common they eventually became directly involved in the initial stages of the drive. Ranch owners or trusted cowboys then accompanied the drive to the end of their properties, passing on vigilance to their neighbors, and so on along the drive route. They also began to brand young animals more regularly, and recording them in local registries. Still, these concerns continued for several more decades, underlining the basic character of the frontier until at least the 1950s. (Coelho Machado 1982)

Despite increased vigilance, between 1914 and 1940 observers reported thousands of live animals a year exiting Mato Grosso illegally to Paraguay and São Paulo. A significant difference from the years before 1914 was the increase in the smuggling of cattle to São Paulo. Contraband to Paraguay continued apace, but it now took second place to cattle crossing the Paraná River illegally, following a general economic trend as Mato Grosso's economy became more linked to that of its eastern neighbor. In these cases, interstate export taxes were the main stimulus to contraband, as drovers sought to maximize their profits by avoiding payment. This was not especially difficult, as presidential and customs officials' reports repeatedly complained of undermanned border stations and patrols, especially once the state began to collect its own customs taxes again in 1919 after fourteen years of reliance on sporadic federal collection (Mensagem Aquino Corrêa 1919)⁸.

While data on contraband are necessarily circumstantial, some idea of trends can be inferred. Throughout the period, estimates suggest that at least 50,000 head were exported tax-free to São Paulo annually, about 20 percent of the state's annual production. This continued well into the 1950s. In 1929, observers calculated that some 25,000 head left the municipality of Campo Grande alone without paying any taxes, municipal or otherwise. And in 1927 the remote border post of Bela Vista on the Paraguayan border, with the appointment of a new customs agent, recorded a 950 per cent increase in customs income in one year. Even a conservative estimate can assume that at least two-thirds of the increase was from the tariff on live cattle exports, meaning that 10,000 more animals were taxed in 1927 than in the previous year. And this was just one of several customs posts along the Paraguayan frontier. Such disparity underlines a chronic problem for state export control – corruption (Brito 1944 p. 13; Brasil Ministério da Agricultura 1929 p. 48; Mensagem Mario Corrêa 1928)⁹.

⁸ The same situation was reported by David McCreery for neighbouring Goiás. (McCreery 1997 p. 347)

⁹ Brito also noted that at the same time cattle smuggling was endemic throughout central Brazil, with the contraband of 50,000 head a year from Goiás and up to 100,000 head per year from Minas Gerais. It is almost certain that the bulk of taxes

An open letter to the president of the state published in a Três Lagoas newspaper in early 1924 complained that at the two Paraná River crossings near Santana do Paranaíba, customs agents were playing favorites with drovers conducting cattle to São Paulo. Some were permitted to pay export taxes on cows as steers at one-tenth the legal rate, while others were overtaxed by the agents. Later in the year, a report in the same newspaper noted the reaction of some drovers. A customs agent had been forced to flee for his life when drovers threatened him for being overly zealous in the collection of taxes. One wonders how the agent may have fit into the earlier report. There was also some concern that recent official permission given to the vice-president of Paraná to import over 20,000 cows from Mato Grosso was not accompanied by sufficient inspection, and that many more animals may have been imported (*A Notícia* 1924).

In later years, presidential reports stressed the need to place frontier guards on the Mato Grosso border with Minas Gerais and São Paulo, where contraband was considered more widespread even than along the Paraguayan boundary. Part of the problem, too, was the willingness of corrupt officials in Goiás to issue tax receipts to Mato Grosso drovers, who then avoided paying export taxes to the state, a situation that demanded greater control within Mato Grosso. State officials suggested that drovers be required to carry transit papers signed by ranchers that recorded the quantity and quality of cattle sold to the drover, and that state brands be registered in the customs offices. Despite these good intentions it is clear that little action was effective in diminishing contraband traffic, as observers noted in later years. And under such lax conditions, it is easy to imagine how difficult it must have been to control traffic and corruption, especially when customs agents, like all civil servants, received such meager wages or had to wait months for their salaries to be paid (Mensagem Mario Corrêa 1928; Mensagem Aníbal Toledo 1930).

But live cattle were not the only products that were involved in contraband. Descalvados, in the municipality of Cáceres near the Bolivian border, suffered constant rustling of its semi-feral cattle by Bolivian bandit/rustlers. The ranch, purchased in the early twentieth century by U.S. firm Brazil Land, Cattle and Products Company to process beef bouillon and jerky (*charque*), was patrolled by private guards, and even though the company had extensive property in Bolivia, these guards often were inhibited in pursuing rustlers by the caprices of local authorities. As a result, an entire village of poachers developed just across the boundary abutting Descalvados to process the stolen cattle into beef

collected at Bela Vista were for cattle-related activity, as official records for imports in 1926 indicate import taxes collected on salt and fencing wire totaled 1,786 milréis, only 14 percent of taxes reported collected that year. Mato Grosso, 1926. The export tax on cattle was 7 mil-réis (\$0.84 U.S.) per head in 1927. McCreery reports that for an earlier period in Goiás official estimates indicated perhaps as many as four times the number of taxed cattle left the region illegally. (McCreery 1997 p. 345-346) These numbers may well have been duplicated in Mato Grosso.

jerky for sale in Santa Cruz and other Bolivian markets. No amount of appeals to Bolivian authorities resulted in effective action on their part, assumedly due to corruption. (Notes Gauld) In fact, these same officials frequently threatened Descalvados employees for crossing the frontier, and in one early incidence the previous owner of the operation was briefly jailed after filing legal action against two rustler brothers (Report Cuiabano 1888).

INDUSTRIAL SMUGGLING

Mato Grosso jerky, much of which was officially exported to the Brazilian markets of Rio de Janeiro and Northeast Brazil through Uruguay, played a major role in another form of smuggling, one that might be described as “industrial” contraband, which involved well-organized product switching in the warehouses of Montevideo. Jerky production had a long history in Mato Grosso, but it was only with the demand of World War I that the industry took off. Before the war there were only three industrial producers in Mato Grosso. For decades ranchers in the Pantanal had processed dried beef on their ranches and sold it in Corumbá, but this was a disorganized subsistence form of production and it contributed irregularly to exports through the river port. Dried beef, processed with little or no salt and containing excessive fat, was of poor quality, its preservation time considerably shorter than that of jerky. Most jerky exports were from the giant Descalvados firm, although the making of jerky was secondary to its production of bouillon. This changed with the stimulus of the war, although by that time other producers already had begun to enter the picture. (Barros 1987 p. 40)

These new operations included a jerky factory (*charqueada*) established at Miranda in 1907 by Uruguayan entrepreneurs and another at Barranco Branco on the lower Paraguay River near Porto Murtinho around the same time. Other operations were established in response to the European war and, with the exception of Descalvados, all were owned by Uruguayans. Initially these operations were set up in response to Brazilian duties on Uruguayan jerky, but with the war Uruguay and Rio Grande do Sul moved to produce frozen beef for the hungry overseas market, and a temporary opportunity arose in Mato Grosso to fill the gap. The market was primarily Cuba, Rio de Janeiro and the Brazilian northeast, and jerky was either shipped down the Paraguay River to Montevideo, where it was transshipped to Rio, or sent by rail to São Paulo and Rio. Neither form of transportation was ideal, but the river route was marginally more reliable and besides was monopolized by a single exporter, Uruguayan Joaquim Vivo & Cia. After the end of World War I it was this arrangement that eventually exasperated many smaller Mato Grosso producers, and provoked considerable consternation in Rio Grande do Sul, Brazil’s major jerky producer. (Lisboa 1909 p. 157-158)

As explained by Stephen Bell, the southern *gaúcho* state had long been dependent on the cattle industry, and had led Brazil in cattle population and hide and jerky production for nearly a century. Much of its wealth had been based on the illicit trade of cattle and jerky across the Uruguayan frontier, with cattle barons and jerky producers in both countries in occasional conflict. By the First World War, however, Rio Grande do Sul had developed a modern jerky industry which processed mostly its own herds. After a brief flirtation with chilled and frozen beef during the war, in the 1920s the state economy returned to the production of jerky for the Brazilian market. (Pimentel 1947 p. 57-58; Bell 1998 chapter 6)

Rio Grande do Sul's greatest competitor was neighboring Uruguay, but by this time that country was already following Argentina's lead and had begun converting from charqueadas to frozen meat plants. Until 1915 most Uruguayan jerky exports went to Brazil, in competition with the *gaúcho* product, but after that time Cuba became the main destination. With the exception of a brief resurgence between 1920-23 slaughter for jerky in Uruguay declined gradually, though apparently not rapidly enough for its northern neighbor. (Ruano Fournier 1936 p. 37, 140-142; Report Coimbra 1928)

During the early 1920s, Rio Grande do Sul suffered a crisis in the jerky business, prompting calls for control of contraband jerky entering from Uruguay. This was where Mato Grosso entered the picture. Since it was a national product, *matogrossense* jerky transshipped through Montevideo was exempt from import tariffs into Brazil. Yet, by passing through the territory of a foreign competitor there developed a golden opportunity for fraud. The leaner Mato Grosso jerky was substituted by Uruguayan jerky, which was highly appreciated in Brazil because it was marbled with fat, and tariff barriers of as much as 60 to 100 per cent *ad valorem* were avoided. The jerky produced upriver then was exported as Uruguayan to Cuba, a smaller and distant market, where lean jerky could survive the long sea journey without becoming rancid (as was allegedly the case with Uruguayan and Argentine jerky). Matogrossense producers raised no objections to the trade since it provided a regular market for goods that had few alternative outlets. On the other hand, it caused strident protest in Rio Grande do Sul, whose own lean product was prejudiced and as such commanded lower prices in the internal market than it would have done otherwise. Ironically, the Uruguayans also imported jerky produced in Rio Grande do Sul for resale abroad. This jerky, similar in quality to that of Mato Grosso, underwent the same transition, replaced by Uruguayan meat that was then marketed in Brazil as a national product. (Cesar 1922 p. 99; Silva 1922 p. 670-671; Report Gouvêa 1928; Report Xarque brasileira 1929)¹⁰

¹⁰ Uruguayan jerky tended to come from the flanks of the animal (*mantas*), where there was more fat content, while jerky from Mato Grosso and Rio Grande do Sul was primarily from the legs and other extremities (*postas*), which were much

Smuggling was encouraged by liberal Uruguayan import laws which permitted the free entry of Brazilian products in transit to the Brazilian market, plus warehousing for up to a year tax-free. This was part of a 1906 Uruguayan government initiative to stimulate the economy through port improvement, railway expansion and increased trade, in partial response to the construction of a port at Rio Grande in the neighboring Brazilian state. The result was that Mato Grosso jerky was afforded special treatment en route to its intended markets in Rio de Janeiro and the Brazilian northeast. Licenses for use of Uruguay as a transit point were issued by the government in Rio, and the licensees resold them to a Uruguayan jerky factory, which would switch products for export to Rio, tax-free. The practice was common, with license resale prices even quoted publicly in the Río de la Plata financial market. One of the companies most deeply involved in the activity was the principal exporter of Mato Grosso jerky, Joaquim Vivo & Cia. Vivo's contacts in Montevideo included well-known Uruguayan jerky producers J. Schroeder and Pedro Ferrés & Cia. (Silva 1922 p. 670-671; Cesar 1978 p. 97; Report Azevedo 1928; Report d'Abreu Albano 1929)

It was estimated that out of an alleged total of 16,000 tonnes exported by Uruguay to Cuba in 1927, over 10,000 was Brazilian in origin, 6,000 to 7,000 tonnes of that from Mato Grosso. The Brazilian consul general in Montevideo then investigated, eliciting denials of any wrongdoing from Ferré and Schroeder. None the less, consular officials concluded that the only way to avoid substitution was to require a customs document from the Uruguayan authorities noting the date of arrival of the shipment and its location while in Montevideo, and to legalize transit licenses only after the ships carrying the jerky had left for their ultimate destination. This they proceeded to do. (Report Jerky market 1929; Report Azevedo 1928)

But pressure from gaúcho ranchers and politicians, particularly state president Getúlio Vargas, who had been a minister in the federal government and was a rancher himself, spurred Rio de Janeiro to more solid action on their behalf. In 1928, the Rio Grande do Sul government proposed that all Brazilian goods transiting foreign territory be "denationalized," and forced to pay normal import duties on re-entry into Brazil. The reaction from Mato Grosso to the proposal was predictable. Producers argued that as long as there was no improvement in the quality and cost of transport out of the state, particularly by rail, they had no choice but to export through Montevideo. The federal government, however, operating on logical political expediency since Rio Grande do Sul wielded much greater political power than Mato Grosso, accepted the gaúcho proposal without modification, passing a law to that effect in late 1928. In order to placate matogrossenses, however, the Rio government allocated

leaner. This distinction also explains the observation that Brazilian jerky was "inferior" to that of the Río de la Plata. (Report O xarque Uruguayo 1928)

funds for the resumption of government river shipping by Lloyd Brasileiro to Corumbá, and a reduction of rail rates on the Estrada de Ferro Noroeste do Brasil that linked Mato Grosso with São Paulo. (Report O xarque Uruguayo 1928; Report Xarque brasileiro 1928; Pesavento 1980 p. 269-271; Cesar 1978 p. 99)¹¹

There was little satisfaction with the announcement in Mato Grosso however, since it did nothing to improve opportunities for the region in the short run. Indeed, it was this dispute between Mato Grosso and Rio Grande do Sul that drew attention to one of the major stimuli to contraband in the first place: the abysmal condition of transportation in the interior state, a situation about which ranchers, jerky producers, legislators and merchants in Mato Grosso had been complaining for years. The rail opportunities were a non-starter because there was never a sufficient number of cars to carry jerky (or cattle for that matter), as well as inadequate warehouse space at transshipment points. The risk of leaving jerky subject to the elements and potential spoilage meant the railroad offered no option. Similar conditions existed with Lloyd Brasileiro, since there was seldom enough space on board the line's ships to accommodate regular shipments of jerky, particularly since most of the ships also carried passengers. And the lines that already carried jerky didn't regularly go to Brazil. (Wilcox 2017 p. 87-98) Both the state and federal governments recognized the problems, but for many of the reasons outlined here they remained, consolidating a condition of chronic contraband that was an essential element in the region's economy, and which has continued into the present day, if of different products and between distinct regions.¹²

CONCLUSION

In the end, it seems clear that Mato Grosso experienced extensive smuggling in its cattle sector because this was the only means by which many inhabitants of the region could make a decent living. Virtually everywhere smuggling requires the participation, the collusion, or at the very least the acceptance of local populations. This was certainly the case in Mato Grosso. Indeed, it can easily be argued that often the cattle business required these "free traders" in order to maintain commerce. Mato Grosso's remoteness, political upheaval and intrigue, and chronic lack of governmental services meant that local populations had to take economic matters into their own hands.

¹¹ The issue became moot in 1930 when Cuba placed a heavy tariff on imported jerky, effectively ending the trade from South America. (Liebig's 1965 p. 114)

¹² It is not my intention to tease the reader, but since I do not have the space to continue this discussion here suffice it to say that smuggling over the past half century has involved articles that the evolving cattle industry found essential to its success, and which were otherwise unavailable or were subject to high taxes: purebred animals for breeding, ration supplements, vaccines and medicines, bull semen, and most recently, bovine embryos. Most of this smuggling has been with Paraguay and Bolivia.

Despite desire for income from taxation, in terms of investments and infrastructure governments paid precious little attention to Mato Grosso. It was one thing to demand taxes when providing services and protections, but if these were not forthcoming then locals tended to provide them themselves, at their own expense. Thus when governments complained about illegal traffic across their borders, they often ignored the fact that most of such activity was done by locals who were simply engaging in an economy that in theory should have been guaranteed by robust governmental presence. Most smugglers were ordinary citizens, often individuals who perceived their businesses as legitimate opportunities, not as criminal enterprises. That what they did was illegal was of relatively minor concern, given that their interests were seldom promoted by government, state or national.

At the same time, officials themselves often directly or indirectly colluded with smugglers. Aside from expected corruption on the part of impoverished fiscal inspectors in remote regions, even national governments and highly-respected businesses were involved in falsifying documents in order to benefit commerce or reduce taxation. The jerky connection with Uruguay is a case in point. The fact that the State publicly sought to “moralize” commerce and society in the face of endemic contraband along and beyond the borders of Mato Grosso, while simultaneously tolerating extensive corruption, was not lost on locals. Indeed, these were both characteristic of cattle frontiers and specific to the region, thus for residents “contraband was practically their only alternative.” (Nater 2006 p. 97)

Echoing Karras, Eric Taglicozzo observes that in South East Asia smuggling was “entrepreneurial,” and to locals’ advantage, while paradoxically this guaranteed some control over the region by these “surrogates” for the very State that unsuccessfully tried to limit the smuggling. (Taglicozzo 2005 p. 371; Karras 2005 p. 146) This was not a contradiction, for as Walther Bernecker argues for nineteenth century Mexico and Latin America overall, given the limited presence of State investment in a relatively distant frontier region, contraband and the corruption that accompanied it reflected different developmental levels of the State. (Bernecker 1993 p. 418) Thus, smuggling was seldom a question of morality, and it can be argued that contraband was a positive, not a negative in Mato Grosso. Since the presence of the State was limited and inconsistent, without smugglers’ ingenuity and “flexible” morals the region likely would not have been able to develop as much as it did.

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Moralizando o comércio na fronteira:

Contrabando de gado e charque em Mato Grosso, 1870 a 1930

RESUMO

A partir do final do século XIX, o setor promissor da pecuária desenvolveu-se na fronteira do Mato Grosso com o Paraguai. Os mercados mais lucrativos eram os vizinhos Paraguai, Uruguai e o sudeste do Brasil. Na maioria dos casos, os mercados estavam distantes da região de produção, enquanto as receitas fiscais eram sempre limitadas, por isso o Estado tentava impor seus regulamentos e impostos como podia. Os moradores descobriram que suas rendas eram restritas nos melhores momentos, e quaisquer imposições “externas” eram simplesmente obstáculos para a prosperidade de suas comunidades e empresas. O resultado foi que, como em regiões semelhantes em todo o mundo, o contrabando de gado e produtos de gado tornou-se normal. Os lucros foram significativos o suficiente para que até mesmo funcionários do governo local estivessem envolvidos. O resultado foi uma longa batalha entre os produtores estaduais e locais para aproveitar o potencial prometido pela pecuária, que

simultaneamente promoveu e inibiu o desenvolvimento da região. Este artigo explora esses aspectos contraditórios do assentamento pecuário ao longo da fronteira Brasil-Paraguai.

Palavras Chave: Pecuária; Contrabando; Mato Grosso; Paraguai.

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